
Tobin & Co.

Excelsior Township

Kalkaska County, Michigan

Audit Report

For the Year Ended March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Excelsior Township	County Kalkaska
Audit Date 3/31/06	Opinion Date 7/21/06	Date Accountant Report Submitted to State: 8/02/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

TOBIN & CO., P.C.

Certified Public Accountant (Firm Name) 400 E. EIGHTH ST. TRAVERSE CITY, MI 49686-2668		City		State	ZIP
Street Address 231-947-0151					
Accountant Signature <i>David S. Park</i>				Date	

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INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Excelsior Township, Kalkaska County, for the year ended March 31, 2006 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Excelsior Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

Records were maintained in excellent condition by your present Clerk and Treasurer. All recorded revenues were deposited timely and intact, Board minutes were maintained in good order, and supporting documents and follow-up procedures appeared good. The efforts of these officials for 2005-2006 are commendable.

Budgets and Procedures

Procedures in preparing, adopting and managing budgets required for Township funds were very good. We noted no violations of Act 621 of 1978 (Uniform Budgeting Act) as described in Note 2 of the Notes to the Financial Statements.

Property Tax Collections

Property taxes collected were distributed to taxing units prior to the end of the fiscal year. We commend the Treasurer for the handling of this function. Receipts were filed in order of payment, and were entered individually in a cash journal which was totaled by deposit. Deposits were made timely and intact.

Schedule 4 reflects the amount levied, collected and returned delinquent for the 2005 property tax levy.

Property Tax Administration Fees

As permitted by statute, an administration fee of 1% was levied on all 2005 property taxes. Fees collected may be used only to offset such property tax administration costs as assessing, collecting and the review and appeal process. As reflected on Schedule 5, costs exceeded the amount collected and there appeared to be no statutory violation by the Township.

Insurance and Surety Bonds

Records indicate that the Township has such coverage as fire, general liability, workmen's compensation, errors and omissions. Coverage was reviewed by the Board in the audit year. The Supervisor, Clerk, and Treasurer and their deputies have surety bond coverage.

Other Data

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the condition of the Township records. We also appreciate the courtesy extended our field examiner in the conduct of the audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Excelsior Township
Kalkaska County
Kalkaska, Michigan 49646

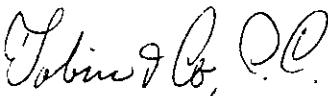
We have audited the accompanying financial statements of the governmental activities and each major fund of Excelsior Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of Excelsior Township at March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Excelsior Township's basic financial statements. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Excelsior Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.
Certified Public Accountants
July 21, 2006

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EXCELSIOR TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of the Excelsior Township, Kalkaska County, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Excelsior Township for the fiscal year ended March 31, 2006.

Financial Highlights

The assets of Excelsior Township exceeded its liabilities at the close of the most recent fiscal year by \$676,567. Of this amount, \$235,158 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$235,158, an increase of \$47,790 in comparison with the prior year. All is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$132,042, or 93% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Excelsior Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: Legislative, General Government, Public Safety and Road Projects. Excelsior Township does not have any business-type activities.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Excelsior Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Excelsior Township are categorized as governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Excelsior Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Township Improvement Fund, which are considered to be major funds. All Township government activities are included in these two funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial resources because the resources of those funds are not available to support the Township's own programs.

The basic fiduciary fund financial statements can be found in Schedule 3 of this report.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

General Fund Analysis and Highlights

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$136,042. Unreserved fund balance represents 93% of total general fund expenditures.

The fund balance of the Township's general fund increased by \$6,290 during the current fiscal year.

There were no significant differences between the original budget and the final amended budget. The total dollars spent in general fund activities was \$19,733 less than appropriated.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. In addition, we upgraded our assessing system with the purchase of the Equalizer Assessing Program. The cost was \$4,221, and included a new computer and laser printer.

Analysis of Balances and Transactions of the Other Township's Funds.

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Township Improvement Fund

The Township Improvement fund is maintained by earned interest and operating transfers from the general fund. At the end of the current fiscal year, the total unreserved fund balance was \$99,116. The fund balance of the Township's Road Fund increased by \$41,500 during the current fiscal year. The Township uses its Capital Improvement Revolving Fund to pay for major capital improvements for the Township, such as the new boiler in 2004. Most of the money is used for local road improvements in the Township. We try to budget at least \$40,000 a year for this purpose. We paid the Kalkaska County Road Commission \$57,365 in July of 2006 for road work and gravel used in upgrading the West mile of Wagenschutz Road. This project was started two years ago, but had been put on hold due to Road Commission financial and other problems.

We have been working with the Road Commission to upgrade our local roads for many years. Currently the Township must pay all of cost of the asphalt cap (which now would cost over \$50,000 a mile), and 70% of the cost of the road work and gravel used for the improvements. We have other roads that will be worked on as soon as we have enough money on hand, and the Road Commission is able to work on them.

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Condensed Financial Information

Net Assets

	Governmental and Total Activities 3/31/06
Current Assets	\$ 235,158
Capital Assets	136,887
Other Long-term Assets	<u>304,522</u>
Total Assets	676,567
Current Liabilities	-
Long-term Debt	-
Other Long-term Liabilities	<u>-</u>
Total Liabilities	-
Net Assets:	
Investment in Capital and Intangible Assets	441,409
Unrestricted	<u>235,158</u>
Total Net Assets	<u>\$ 676,567</u>

Activities

	Governmental and Total Activities 3/31/06
Program Revenues:	
Charges for Services	\$ 7,634
Operating Grants	9,090
General Revenues:	
Property Taxes	114,923
State Shared Revenues	57,745
Other	<u>5,084</u>
Total Revenues	<u>194,476</u>
Expenses:	
General Government	65,579
Public Safety	65,634
Public Works	23,818
Health and Welfare	<u>344</u>
Total Expenses	<u>155,375</u>
Change in Net Assets	<u>\$ 39,101</u>

Capital Asset and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounts to \$136,887 (net of depreciation). This investment in capital assets includes: several parcels of land and improvements, the Township Hall improvements and furnishings, and 50% of joint venture fire department land and building. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives. This fiscal year the amount by which depreciation and amortization exceeded capital outlays was \$8,689. Intangible assets at March 31, 2006 consisted of major improvements to roads owned and maintained by Kalkaska County: Cost \$375,224 less accumulated amortization of \$70,702.

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Cash Assets

At the end of the current fiscal year, the Township had \$221,669 in cash and other spendable assets. This was held primarily in interest bearing savings accounts and certificates of deposit. The Township is limited by State law in how it can invest these funds and we have made no changes in our investment strategy in several years.

Long-term Debt

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

Requests for Information

This financial report is designed to provide a general overview of Excelsior Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bethel Larabee, Excelsior Township Clerk, 1418 Darke Rd., N.E., Kalkaska, MI 49646, phone (231) 258-2061.

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Excelsior Township Statement of Net Assets March 31, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u> <u>And Total</u>
Assets	
Cash	\$ 221,669
Receivables	13,489
Capital Assets	
Land	13,558
Other Capital Assets, Net of Depreciation	<u>123,329</u>
Total Capital Assets	136,887
Intangible Assets, Net of Amortization	<u>304,522</u>
Total Assets	<u>676,567</u>
Liabilities	
Accounts Payable	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets	
Invested in Capital and Intangible Assets	441,409
Unrestricted	<u>235,158</u>
Total Net Assets	<u>\$ 676,567</u>

See Accompanying Notes to Basic Financial Statements

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Excelsior Township Statement of Activities March 31, 2006

Functions/Programs	Program Revenues			Governmental Activities and Total
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Legislative	\$ 5,228	\$ -	\$ -	\$ (5,228)
General Government	60,351	7,634	4,800	(47,917)
Public Safety	65,634	-	-	(65,634)
Public Works	23,818	-	4,290	(19,528)
Health and Welfare	344	-	-	(344)
Total Governmental Activities	<u>\$ 155,375</u>	<u>\$ 7,634</u>	<u>\$ 9,090</u>	<u>(138,651)</u>
General Revenues:				
Taxes				114,923
State Grants				57,745
Unrestricted Investment Earnings				4,464
Miscellaneous				<u>620</u>
Total General Revenues				177,752
Change in Net Assets				39,101
Net Assets – Beginning				<u>637,466</u>
Net Assets – Ending				<u>\$ 676,567</u>

See Accompanying Notes to Basic Financial Statements

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Excelsior Township Balance Sheet Governmental Funds March 31, 2006

	General Fund	Township Improvement Fund	Total
Assets			
Cash	\$ 122,553	\$ 99,116	\$ 221,669
Delinquent Taxes Receivable	<u>13,489</u>	<u>-</u>	<u>13,489</u>
Total Assets	136,042	99,116	235,158
Liabilities and Fund Balances			
Liabilities:			
Total Liabilities	-	-	-
Fund Balances:			
Unreserved	<u>136,042</u>	<u>99,116</u>	<u>235,158</u>
Total Fund Balances	<u>136,042</u>	<u>99,116</u>	<u>235,158</u>
Total Liabilities and Fund Balances	<u>\$ 136,042</u>	<u>\$ 99,116</u>	
Amounts reported for governmental activities on the statement of net assets are different because:			
Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.			<u>441,409</u>
Net assets of governmental activities.			<u>\$ 676,567</u>

See Accompanying Notes to Basic Financial Statements

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Excelsior Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended March 31, 2006

	General Fund	Township Improvement Fund	Total
Revenues			
Taxes	\$ 114,923	\$ -	\$ 114,923
Federal Grants	4,800	-	4,800
State Grants	62,035	-	62,035
Charges for Services	7,584	-	7,584
Interest and Rents	3,014	1,500	4,514
Other	<u>620</u>	<u>-</u>	<u>620</u>
Total	<u>192,976</u>	<u>1,500</u>	<u>194,476</u>
Expenditures			
Legislative	4,986	-	4,986
General Government	48,054	-	48,054
Public Safety	63,541	-	63,541
Public Works	14,414	-	14,414
Health and Welfare	344	-	344
Other	9,278	-	9,278
Capital Outlay	<u>6,069</u>	<u>-</u>	<u>6,069</u>
Total	<u>146,686</u>	<u>-</u>	<u>146,686</u>
Excess Revenues (Expenditures)	46,290	1,500	47,790
Other Financing Sources (Uses)			
Operating Transfers In	-	40,000	40,000
Operating Transfers (Out)	<u>(40,000)</u>	<u>-</u>	<u>(40,000)</u>
Total	<u>(40,000)</u>	<u>40,000</u>	<u>-</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	6,290	41,500	47,790
Fund Balance – Beginning of Year	<u>129,752</u>	<u>57,616</u>	
Fund Balance – End of Year	<u>\$ 136,042</u>	<u>\$ 99,116</u>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current year.			<u>(8,689)</u>
Change in Net Assets of Governmental Activities.			<u>\$ 39,101</u>

See Accompanying Notes to Basic Financial Statements

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Excelsior Township
Statement of Fiduciary Net Assets
March 31, 2006

Assets

Cash \$ 434

Total Assets 434

Liabilities

Undistributed Taxes and Interest 434

Total Liabilities 434

Net Assets \$ -

See Accompanying Notes to Basic Financial Statements

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Excelsior Township Notes to Financial Statements March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Excelsior Township is a general law township located in Kalkaska County. Population as of the 2000 census was 855, and the current state equalized valuation for taxable property is \$55,077,400 and the taxable valuation is \$36,305,608.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Road Fund – This fund is used to account for a separate voted millage levied for road repairs and maintenance. Revenues are derived primarily from property taxes.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

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Excelsior Township
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	15 years
Buildings	40 - 60 years
Building Improvements	15 - 30 years
Furniture and Equipment	3 - 5 years
Vehicles	3 - 5 years

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Excelsior Township Notes to Financial Statements March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$ 55,077,400	\$ 36,305,608	.9552
Fire	\$ 55,077,400	\$ 36,305,608	1.0000
Fire Truck	\$ 55,077,400	\$ 36,305,608	.7000

G. Investments

There were no investments during the audit year.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2006.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2006, no cost center overexpended its budget without formal amendment:

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

Tobin & Co.

Excelsior Township Notes to Financial Statements March 31, 2006

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$224,650 deposited with local banks at March 31, 2006 with a carrying value of \$222,103. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per depository, the Township had \$72,118 of uninsured deposits at March 31, 2006.

NOTE 4 - CAPITAL AND INTANGIBLE ASSETS

Capital assets of governmental activities consisted of the following at March 31,

	<u>3/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/06</u>
Land and Improvement	\$ 37,098	\$ -	\$ -	\$ 37,098
Buildings and Improvements	210,313	-	-	210,313
Furniture and Equipment	<u>5,374</u>	<u>-</u>	<u>-</u>	<u>5,374</u>
	252,785	-	-	252,785
Less Accumulated Depreciation	<u>(110,522)</u>	<u>(5,376)</u>	<u>-</u>	<u>(115,898)</u>
	<u>\$ 142,263</u>	<u>\$ (5,376)</u>	<u>\$ -</u>	<u>\$ 136,887</u>

Intangible assets at March 31, consisted of major improvements to roads owned and maintained by Kalkaska County.

	<u>3/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/06</u>
Road Improvements	\$ 375,224	\$ -	\$ -	\$ 375,224
Less Accumulated Amortization	<u>(61,321)</u>	<u>(9,381)</u>	<u>-</u>	<u>(70,702)</u>
	<u>\$ 313,903</u>	<u>\$ (9,381)</u>	<u>\$ -</u>	<u>\$ 304,522</u>

NOTE 5 - LONG-TERM DEBT

The Township has no long-term debt at March 31, 2006, and no borrowing is anticipated in the near future.

NOTE 6 - LOANS AND ADVANCES BETWEEN FUNDS

There were no inter-fund loans for the audit year. The General Fund transferred \$40,000 to the Capital Improvement Revolving Fund.

NOTE 7 - INVENTORIES

Excelsior Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

Tobin & Co.

Excelsior Township Notes to Financial Statements March 31, 2006

NOTE 8 - RETIREMENT PLAN

The Township does not participate in a pension plan. The Township provides social security coverage for its officials and employees.

NOTE 9 - ACCOUNTS/TAXES RECEIVABLE

General Fund taxes receivable of \$13,489 reflect 2005 general and fire protection taxes and property tax administration fees returned delinquent to the County Treasurer as of March 1, 2006.

NOTE 10- PROPERTY TAX ADMINISTRATION FEES

The Township levied the 1% administration fee permitted by statute on all 2005 property taxes. This fee may be used only to offset such property tax administration expenses as assessing, collecting and the review and appeal process. For the audit year, fee collections plus charges for services for collection of summer taxes for other units were \$15,711 and related costs were \$23,113, indicating that the Township is in compliance with statutory requirements.

NOTE 11- JOINT VENTURE

The Township is a participant along with Coldsprings Township in a joint venture to operate the Coldsprings-Excelsior Volunteer Fire and Rescue Department, a joint fire department. Upon dissolution of the fire department, the net assets will be shared equally by the Townships. The fire department is governed by a five member board composed of two appointees from each of the two Townships, with the fifth member appointed by Excelsior Township every two years and by Coldsprings Township in opposite years. Each of the Townships currently assesses 1.0000 mill in property tax for fire protection and .7000 mill for a new fire truck, which monies are turned over intact for operation of the fire department. A separate audit report is issued on the Coldsprings-Excelsior Fire and Rescue Unit and may be obtained by contacting the Excelsior Township Clerk.

NOTE 12- COMPENSATED ABSENCES

The Township has no compensated absence obligations at March 31, 2006.

NOTE 13- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Excelsior Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

Schedule 1
Page 1

Revenues	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes:				
Current Taxes	\$ 83,859	\$ 83,859	\$ 83,677	\$ (182)
Delinquent Taxes	11,729	11,729	12,342	613
Swamp Tax	6,561	6,561	6,561	-
Other Property Taxes	-	-	11	11
Penalties and Interest on Taxes	300	300	540	240
Property Tax Administration Fees	12,000	12,000	11,792	(208)
Federal Grants:				
Election	-	4,800	4,800	-
State Grants:				
State Shared Revenues	58,000	58,000	57,745	(255)
Metro Act	4,000	4,000	3,908	(92)
Bankhead Jones	-	-	382	382
Charges for Services:				
Cemetery	2,200	2,200	3,225	1,025
Sales	-	-	20	20
Summer Tax Collection Fee	4,000	4,000	3,919	(81)
Land Division Fees	500	500	420	(80)
Interest and Rents:				
Interest	1,000	1,000	2,964	1,964
Rents and Royalties	100	100	50	(50)
Other:				
Refunds and Reimbursements	500	500	620	120
Total Revenues	184,749	189,549	192,976	3,427
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	3,160	-
Dues	-	-	639	-
Printing and Publishing	-	-	616	-
Education and Other	-	-	571	-
Total	6,100	6,100	4,986	1,114
Total Legislative	6,100	6,100	4,986	1,114

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Excelsior Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

Schedule 1
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	4,000	-
Supplies and Postage	-	-	5	-
Total	<u>4,100</u>	<u>4,100</u>	<u>4,005</u>	<u>95</u>
Elections:				
Salaries and Wages	-	-	1,145	-
Supplies and Postage	-	-	114	-
Printing and Publishing	-	-	23	-
Mileage and Other	-	-	25	-
Total	<u>2,700</u>	<u>2,700</u>	<u>1,307</u>	<u>1,393</u>
Assessor:				
Contractual Services	-	-	6,650	-
Supplies and Postage	-	-	597	-
Professional Services	-	-	459	-
Maintenance and Repairs	-	-	57	-
Software	-	-	2,895	-
Total	<u>10,700</u>	<u>10,700</u>	<u>10,658</u>	<u>42</u>
Clerk:				
Salaries and Wages	-	-	8,150	-
Supplies and Postage	-	-	209	-
Mileage and Other	-	-	80	-
Software Support	-	-	389	-
Total	<u>10,100</u>	<u>10,100</u>	<u>8,828</u>	<u>1,272</u>
Board of Review:				
Salaries and Wages	-	-	680	-
Printing and Publishing	-	-	25	-
Mileage and Other	-	-	253	-
Total	<u>1,250</u>	<u>1,250</u>	<u>958</u>	<u>292</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Excelsior Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

Schedule 1
Page 3

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Expenditures (Continued)</u>				
General Government (Continued):				
Treasurer:				
Salaries and Wages	-	-	9,200	-
Supplies and Postage	-	-	1,606	-
Professional Services	-	-	777	-
Software Support	-	-	479	-
Total	<u>13,150</u>	<u>13,150</u>	<u>12,062</u>	<u>1,088</u>
Township Hall and Grounds:				
Salaries and Wages	-	-	90	-
Supplies and Postage	-	-	34	-
Public Utilities	-	-	3,296	-
Maintenance and Repairs	-	-	1,534	-
Other	-	-	30	-
Total	<u>6,800</u>	<u>6,800</u>	<u>4,984</u>	<u>1,816</u>
Cemetery:				
Salaries and Wages	-	-	1,050	-
Supplies and Postage	-	-	283	-
Contract Services	-	-	3,400	-
Maintenance and Repairs	-	-	484	-
Other	-	-	35	-
Total	<u>8,275</u>	<u>8,275</u>	<u>5,252</u>	<u>3,023</u>
Total General Government	<u>57,075</u>	<u>57,075</u>	<u>48,054</u>	<u>9,021</u>
Public Safety:				
Fire Protection:				
Salaries and Wages	-	-	1,880	-
Operating Expenses	-	-	36,178	-
Fire Truck	-	-	25,323	-
Other	-	-	160	-
Total	<u>62,800</u>	<u>63,541</u>	<u>63,541</u>	-
Total Public Safety	<u>62,800</u>	<u>63,541</u>	<u>63,541</u>	-
Public Works:				
Street Lighting, Signs, and Brining	<u>2,500</u>	<u>2,500</u>	<u>929</u>	<u>1,571</u>
Spring Cleanup:				
Salaries and Wages	-	-	300	-
Contractual Services	-	-	13,125	-
Mileage and Other	-	-	60	-
Total	<u>15,400</u>	<u>15,400</u>	<u>13,485</u>	<u>1,915</u>
Total Public Works	<u>17,900</u>	<u>17,900</u>	<u>14,414</u>	<u>3,486</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Excelsior Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

Schedule 1
Page 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Health and Welfare:				
Hospital Subsidy	344	344	344	-
Total Health and Welfare	344	344	344	-
Other:				
Employee Benefits and Insurance	8,000	8,000	6,870	1,130
Tax Tribunal Refund and Others	4,100	4,100	2,408	1,692
Total Other	12,100	12,100	9,278	2,822
Capital Outlay	1,300	6,100	6,069	31
Contingency	4,000	3,259	-	3,259
Total Expenditures	161,619	166,419	146,686	19,733
Excess Revenues (Expenditures)	23,130	23,130	46,290	23,160
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(40,000)	(40,000)	(40,000)	-
Total	(40,000)	(40,000)	(40,000)	-
<u>Excess Revenues (Expenditures) and</u> <u>Other Financing Sources (Uses)</u>	(1)	\$ (16,870)	\$ (16,870)	6,290
Fund Balance – Beginning of Year			129,752	
Fund Balance – End of Year			\$ 136,042	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Excelsior Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Capital Improvement Revolving Fund
For the Year Ended March 31, 2006

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Earned Interest	\$ -	\$ -	\$ 1,500	\$ 1,500
Total Revenues	-	-	1,500	1,500
<u>Expenditures</u>				
Township Hall Improvements	-	-	-	-
Road Improvements	-	-	-	-
Total Expenditures	-	-	-	-
Excess Revenues (Expenditures)	-	-	1,500	1,500
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	40,000	40,000	40,000	-
Operating Transfers (Out)	-	-	-	-
Total	40,000	40,000	40,000	-
<u>Excess Revenues (Expenditures) and</u> <u>Other Financing Sources (Uses)</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	41,500	<u>\$ 1,500</u>
Fund Balance – Beginning of Year			57,616	
Fund Balance – End of Year			<u>\$ 99,116</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Excelsior Township
Statement of Changes in Assets and Liabilities
Current Tax Collection Fund
For the Year Ended March 31, 2006

Schedule 3

	<u>Balance</u> <u>3/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash	\$ 517	\$ 1,088,550	\$ 1,088,633	\$ 434
Total Assets	\$ 517	\$ 1,088,550	\$ 1,088,633	\$ 434
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 517	\$ 1,088,550	\$ 1,088,633	\$ 434
Total Liabilities	\$ 517	\$ 1,088,550	\$ 1,088,633	\$ 434

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Excelsior Township 2005 Property Tax Levy and Collections For the Year Ended March 31, 2006

Schedule 4

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	5.4826	\$ 198,411	\$ 175,261	\$ 23,150
Commission on Aging	0.2500	9,043	7,832	1,211
Library	0.2500	9,043	7,832	1,211
Animal Control/Recycle	0.2500	9,043	7,832	1,211
Public Transit	0.2447	8,851	7,666	1,185
Sportsplex	0.7134	25,813	22,358	3,455
Hospital	1.7000	61,520	53,284	8,236
State Education	6.0000	217,144	199,278	17,866
School District	20.0000	344,163	322,336	21,827
School District	18.0000	99,602	81,686	17,916
Intermediate School District	2.9589	107,081	95,120	11,961
Township - General	0.9552	34,564	29,937	4,627
- Fire	1.000	36,187	31,342	4,845
- Fire Truck	0.7000	<u>25,329</u>	<u>21,938</u>	<u>3,391</u>
Total		<u>\$ 1,185,794</u>	<u>\$ 1,063,702</u>	<u>\$ 122,092</u>
Percent of Levy Collected	89.70%			

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Excelsior Township
Statement of Revenues and Expenditures
Property Tax Administration Fees
For the Year Ended March 31, 2006

Schedule 5

Revenues

Property Tax Administration Fees	\$ 11,792
Summer Property Tax Collection Fee	<u>3,919</u>
Total Revenues	<u>15,711</u>

Expenditures

Assessor	12,640
Board of Review	958
Treasurer – 67%	8,082
Insurance	550
Clerk – 10%	<u>883</u>
Total	<u>23,113</u>
Excess Revenues (Expenditures)	\$ <u>(7,402)</u>

The Notes to the Financial Statements are an integral part of this statement.